Exxon Valdez Oil Spill Trustee Council

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Habitat Protection Program

Appraisal Instructions

Update approved by EVOSTC October 28, 2013

UNLESS SPECIFICALLY STATED OTHERWISE, THE FOLLOWING SPECIFICATIONS APPLY TO BOTH FEE SIMPLE LAND APPRAISALS AND PARTIAL ESTATE INTEREST APPRAISALS.

This appraisal instruction update supersedes the EVOSTC appraisal instructions dated April 21, 1994 and supplemental instruction letter from J. Robinson dated September 12, 2002.

GENERAL SPECIFICATIONS

A. Copies of Appraisal Report: The Contractor shall furnish all materials, supplies, tools, equipment, personnel, travel and shall complete all requirements of this contract including performance of the professional services listed herein.

1. Contractor to provide three hard copies of the Draft Appraisal Report, submitted in a three ring loose-leaf binder.

2. The Contractor will furnish one original and three hard copies and a cd with an electronic copy of the final Appraisal Report.

3. The report shall provide an estimate of cash fair market value for the fee simple estate free of all assessments, and shall conform to the Uniform Standards of Professional Appraisal Practice (USPAP) as published by The Appraisal Foundation, and the Uniform Appraisal Standards for Federal Land Acquisitions, 2000 Edition, (ISBN 0-922154-66-X) (UASFLA).

4. The Narrative Appraisal Report shall conform to recognized appraisal format, principles, and practices applicable to estimating cash fair market value, as required in the UASFLA.

B. Narrative Appraisal Report: The Contractor shall make a detailed field inspection and identification of the item(s) of property as specified in the Task Order, and shall make such

investigations and studies as are appropriate and necessary to enable the Contractor to derive sound conclusions and to prepare the appraisal report.

C. Examination Notice: The Contractor shall provide the property owner and the governmental representative a minimum of ten (10) days advance notice of the examination date and shall give the owner, or his/her designated representative, and the Government an opportunity to accompany the Contractor during their inspection of the property. These notices shall be documented in the Contractor's transmittal letter of the appraisal report. The Contractor shall certify that the signature of the report has personally visited the subject property(s) and all of the comparable transactions used in the comparative analysis.

D. Testimony: Upon the request of the United States Attorney of the Department of Justice, or the Alaska Attorney General, the Contractor shall testify in any proceedings, as the value as of the valuation date of any and all property included in the appraisal report.

E. Estate to be Appraised: Applicable to partial estate interest appraisal only.

1. When a partial estate interest is appraised, it will conform to UASFLA and will incorporate a before and after appraisal meeting agency standards as described in the Task Order.

2. After the market value of the fee estate has been determined, the appraiser may be requested to determine the contributory value of the various estates. The contributory value of the various estates must equal the market value of the fee estate.

TECHNICAL SPECIFICATIONS

APPRAISAL REPORT

A. Format: The final report shall be typewritten on bond paper sized 8 ½ by 11 inches with all parts of the report legible and shall be bound with a durable cover and labeled on the face. The label will identify the appraised property, the contract number, appraiser's name and address, and the date of the appraisal. All pages of the report, including the exhibits, shall be numbered.

B. Contents: The report shall be divided into tabulated parts:

Part I - Introduction
Part II - Factual Data
Part III - Analyses and Conclusions
Part IV - Addenda

The content of the report shall, as a minimum, contain the following:

1. INTRODUCTION (Part I)

   a. Title Page shall include (1) the borough name(s) and general location(s) of the property; (2) that the appraisal is for the lead government agency identified in the Task Order; (3) name and address of individual and the firm or corporation making the appraisal report; (4) the report data.

   b. Table of Contents shall be arranged in accordance with the sequence of topical headings with corresponding page numbers.

   c. Summary of Facts and Conclusions shall be a brief resume of the essential highlights of the report in order to offer a convenient reference to basic facts and conclusions. Items which shall be included are (1) name of project and requesting government agency; (2) owner of record; (3) location of legal description; (4) name of appraiser; (5) dates of field work; (6) date of inspection; (7) effective date of appraisal; (8) interest under appraisement; (9) size; (10) highest and best use; (11) appraised values.

   d. Statement of Assumptions and Limiting Conditions: The Contractor shall include in the report a statement of assumptions and limiting conditions related to the appraisal of the property.

   e. References: The Contractor shall list the sources of data incorporated in the report, such as records, documents, technicians, or other persons consulted along with a statement of their qualifications and identification of their contribution to the report.

2. FACTUAL DATA (Part II)

   a. Scope of estate to be appraised

      1. Purpose of Appraisal for Partial Estate Interest Appraisal: The Contractor shall state that the purpose is to estimate total compensation for the estate to be acquired considering damages and/or benefits to the remainder. It shall include the function of the appraisal and a description of the estates appraised in both the before and after conditions.

      2. Purpose of Appraisal for Fee Simple Land Appraisal: The Contractor shall state that the purpose is to estimate fair marker value for the property. It shall include the function of the appraisal, and a definition of all values required and property rights appraised.

b. Definition of Fair Market Value: The definition is that as described in the UASFLA and expanded upon in USPAP.

c. Estate Appraised: Describe the Estate to be appraised and the legal description of the subject property.

d. Area and Neighborhood Data: The report shall include a concise discussion of market area, trends in use, and neighborhood and area analysis. This data (social, economic, and political) shall provide the basic information that directly affects the value of the property being appraised.

e. Property Data: The report shall include a narrative description of significant land features and all improvements. This section shall show the availability and suitability or adaptability of the property for the highest and best use. The property data shall include, as a minimum the following:

    1. A description of the land, giving dimensions, size, shape, access status and characteristics, land types, topography, timber, livestock forage, mineral character, and other characteristics that might affect value. If there is an indication that timber or mineral deposits have commercial value, this should be stated. If part of the property is assigned higher value than other portions, prepare a map delineating the various land classes.

    2. A discussion of outstanding rights or possessory interests (easements, permits, leases, adverse possession, etc.) describing the type, area, condition, terms, rates and their effect on value.

    3. A description of all improvements, a discussion of each with reference to its physical condition, present use, obsolescence, and its contribution to the highest and best use.

    4. A statement of the current assessed value and dollar amount of property taxes and discussion of their effect on value.

    5. A description of the zoning and other restrictions for the subject property and discussion of their effect on value.

    6. A discussion of the effect on value of reservations and covenants described in the estate.

    7. Distinguish between any real property and personal property values.

    8. A discussion of any environmentally threatening factors that may affect the property such as toxic waste, physical hazards, or noxious materials.

3. ANALYSES AND CONCLUSIONS (Part III)

a. Analyses of Highest and Best Use: State the highest and best use or combination of uses that can be made of the property (land and improvements) for which there is a current private open market. Give evidence of the demand for such use. If the highest and best use is different than the present use, discuss how the property is available, suitable, adaptable, and in demand for the new use. Be cautious in identifying highly speculative uses that are contingent on occurrences that are not demonstrated in the marketplace within which the subject might compete. Investment for profit or speculation in and of themselves are not acceptable highest and best uses without the identification of the physical interim use and future use that is being anticipated. Highest and best use cannot be predicated on a demand created solely by the project for which the property is acquired (e.g., rock quarry, when the only market is a highway project for which the property was acquired). A proposed highest and best use cannot be the use for which the government is acquiring the property (e.g., missile test range, airfield, park), unless there is a prospect and demand for that use by others than the government.

b. Data Analysis: This section, divided into topical headings, shall contain the appraiser's discussion and analysis of market trends and elements of value. The text may refer to factual data included in the Addenda to the report.

   The appraiser shall specifically state their conclusion, the factual data calculations, and the process of reasoning that led to that conclusion.

The following items, as a minimum, shall be discussed in this section:

1. Cash Versus Contract Sales: All value estimates made in the appraisal report will be on the basis of cash or cash equivalence. The effect of financing on market value will be considered and the conclusions documented in this section. Cash equivalent is defined as: the price that would have been in effect, had the terms been all cash.

2. Price-time Trends.

3. Physical Characteristics: The effect on value of elements such as size, location, access characteristics and status, road or highway frontage, restrictive covenants, zoning, utilities, view, vegetative cover, water frontage, mineral character and potential, and other elements of value as demonstrated in the market will be explored and analyzed.

c. Estimate of Value: The appraiser's estimates of value shall be developed in a logical sequence using accepted approaches to value supported by confirmed factual data.

1. Approaches to Value: Value shall be based upon the properties' highest and best use, which may differ from present use, and shall be supported by confirmed transactions of comparable lands having similar highest and best uses. In all cases, the three approaches to value (cost, income, and direct sales comparison) shall be considered, and used, if applicable. At a minimum, the appraisal report shall contain a direct sales comparison approach which analyzes and compares the subject to all appropriate comparable sales, ending in a subject property value indication based on each sale. All such direct comparison indications shall then be correlated to a final estimate of value.

2. Comparable Sales: The appraiser shall personally visit, investigate, list in the report, and be prepared to testify with respect to all sales which may be pertinent to the valuation of the subject. The sales considered and not actually used by the appraiser shall be listed in a table in the Addenda. This list shall cite pertinent facts such as date, size, buyer and seller, price, terms, location, etc., and include a remark as to why each sale was not used in the estimate of value. All comparable sales used in the valuation discussion shall meet the test of market value. All transactions used shall be verified with parties knowledgeable of the sale, (grantor, grantee, and broker). Include date of confirmation, the name of the party with whom the sale was confirmed, and the name of the person confirming the sale.

   The appraiser shall examine all prices and terms of comparable sales as to their equivalency to cash. Where comparable sales prices are adjusted because of terms or for other reasons, the amount of the adjustment shall be supported by the presentation of factual evidence and the appraiser's reasoning.

   The sale price of comparable sales used in this appraisal report shall be adjusted for appreciation or depreciation, if any, for the period of time between the sale date and the valuation date (Market condition). The amount of the adjustment shall be clearly stated. The basis for the adjustment in the form of an analysis of available pertinent market evidence shall be presented. Sales and resales of unaltered properties similar to the comparables and in the same market area are preferred indicators of market condition. To be useful, such sales and resales must have occurred during the approximate period for which other comparables

are being adjusted. Raw statistics on broad classes of property and covering large geographic areas will not suffice as a basis for the above described adjustments.

When using the direct sales comparison approach, the appraiser shall, for each sale listed, discuss: parties to the transaction, date of the transaction, acreage, legal description of the property, interest conveyed, consideration, conditions of payment (cash or terms—contract sales will be discussed and conclusions made as to their cash equivalence), improvements (kind and whether they contribute to the highest and best use), personal property, any outstanding rights and reservations and their effect on value, and physical description—topography, cover, etc. Each comparable site should be described in narrative form in sufficient detail to indicate how it compares to the subject property in elements affecting value. Buyer and seller motivation of the comparable transaction must be discussed. The potential for development as of the date of purchase shall be explored and presented.

When adjustments are made to comparable sales, the basis for the adjustments shall be shown in sufficient detail and supported by all available market evidence to allow the reviewer to judge their validity and acceptability. The data will be presented in narrative form as well as in comparison grids or tables. When the value of the subject property and comparables are highly similar, lump sum adjustments are acceptable, although the elements of dissimilarity affecting value shall be listed. If quantified adjustments are made, they shall be directly supported by verified market evidence.

3. In the direct sales comparison approach, the last sale of the subject property shall be listed. If it is a valid sale, it shall be qualified and given appropriate consideration in the value conclusion.

4. In the income and cost approaches, all cost and income estimates shall be supported by comparative costs or rental data for similar properties. The methods used to determine capitalization rates, accrued depreciations, and depreciation rates shall be discussed and computations and comparisons shown. Comparison charts (such as rental comparisons, construction cost comparisons, etc.) shall be developed where feasible.

Items 5 through 8 below are applicable <u>only to partial estate interest</u> appraisals:

5. In accordance with established legal principles and procedures, the before value of the property shall be estimated as of the date of the appraisal

without allowance of enhancement and/or diminution in value due to the project.

6. In the before acquisition appraisal, sales occurring after the date of the project shall be used in estimating value only if there is no project-related enhancement and/or diminution. In the after acquisition appraisal, applicable sales occurring up to the date of the appraisal shall be used with full consideration given to the effects of the acquisition and the project in the estimate of value.

7. In the after acquisition appraisal, the estimate of value shall be developed by comparison with sales of properties encumbered by similar easements. If this cannot be done, the appraiser shall develop the estimate by direct comparison or other use of sales which give evidence of the value attributable to the subject's utility in its encumbered state.

8. The after acquisition appraisal shall, as a minimum, contain the following:

    a. A brief description of the partial estate interest acquired.

    b. A description of the property rights acquired and a discussion of all the restrictions on the grantor and effect, if any, on the value of the subject.

    c. A discussion of the appraiser's interpretation of the property rights acquired.

    d. A comprehensive description of the remainder in the after acquiring condition.

    e. A discussion of the effect of the acquiring and the project on the remainder, showing highest and best use in the after condition and describing how benefits or damages occur.

d. <u>Correlation and Final Value Estimate:</u> The appraiser shall interpret the foregoing estimate and shall state his/her reasons why one or more of the conclusions reached in the estimate of value section are the best indicators of market value of the subject. The indicated value estimates derived through more than one approach to value will be correlated to reach the final estimate of value. If only the direct sales comparison approach is used, the indications given by the various sales will be correlated to reach the final estimate showing which sale or sales were considered most comparable and provided the best value indicators. Where the "before and after" method is used to estimate just compensation, separate correlations are needed for the "before estimate" and the "after estimate".

The following item is applicable to partial estate interest appraisals only:

e. Estimate of Total Compensation: The appraiser's estimate of total compensation shall be derived as the difference between the estimated market value before the acquiring and the estimated market value of the property after the acquiring and as affected by the project. The method automatically takes into account diminution in value of and any benefits to the remainder.

This shall be shown as follows:

Value Before $_____

Value After $_____

Estimate of Just Compensation $_____

The estimate of just compensation shall be summarized as follows:

Value of Part Acquired $_____

Damages $_____

Benefits $_____

Estimated Total Just Compensation $_____

The sum of the value of the part acquired and damages, less the benefits, must equal the difference between the before and after values.

f. A Certification Statement will be included that is consistent with USPAP and UASFLA.

4. ADDENDA (Part IV)

All maps shall be originals of high quality with properties depicted in color (i.e. subject – red; comparable – green). They shall be of sufficient detail, with legend, scale, and North arrow, in order that properties may be readily located on the ground using the maps.

The addenda shall include:

a. Area map: Small-scale map showing the general location of the subject neighborhood.

b. Neighborhood Map: Shall show the subject property and its immediate vicinity. The area and the neighborhood maps may be combined if appropriate.

c. Subject Property Map or Plat: A large scale map that clearly shows the dimensions and topography of the subject property.

d. Comparable Sales Location Map: This shall show the location of sales used in estimating market value of the subject property in relationship to the subject.

e. Comparable Sales Form: For all transactions used in the appraisal, show all of the pertinent information concerning each comparable. At a minimum, each verification will display the names of the state and geographic location, recording district, community area, grantor, grantee, estate purchased, instrument, tax parcel number, book/page, date, size, price, unit access, utilities, zoning, highest and best use, current use, improvements, vegetation, topography, and soils. There should also be a remarks section.

f. Full legal description of subject property as presented in the preliminary title report.

g. Statement of the date(s) the subject property was inspected with the property owner or its representative and the governmental representative (or a state that the property owner or the governmental representative(s) was invited but declined to accompany appraiser on the inspection).

h. Photographs: The Contractor shall provide representative original color photographs of the subject property and all comparables in each copy of the final report. Photographs may be provided as a separate exhibit in the addenda or included along with the narrative description of the subject property and sales. The following information shall be shown with each photograph:

Identification of scene in photograph (direction of view, etc.). The direction of view may be indicated on a map. If the photograph was taken from a distance such as an aerial of high vantage point, the approximate property boundaries must be clearly shown on the photograph. The boundaries of an area being appraised must be identified on one or more photographs of the subject, as appropriate.

a. The name of the individual taking the photograph.

b. The date the photograph was taken.

1. Other Material – the appraiser shall include all other pertinent documents provided by the Contracting Officer or representative, plus appropriate charts, maps, etc.

2. Qualifications of Appraiser – The qualifications of the appraiser shall be included in the report as evidence that the responsible person is qualified to make such an appraisal.